



Petroleum Market Report

July 30, 2001

Energy Information Administration
Office of Oil & Gas

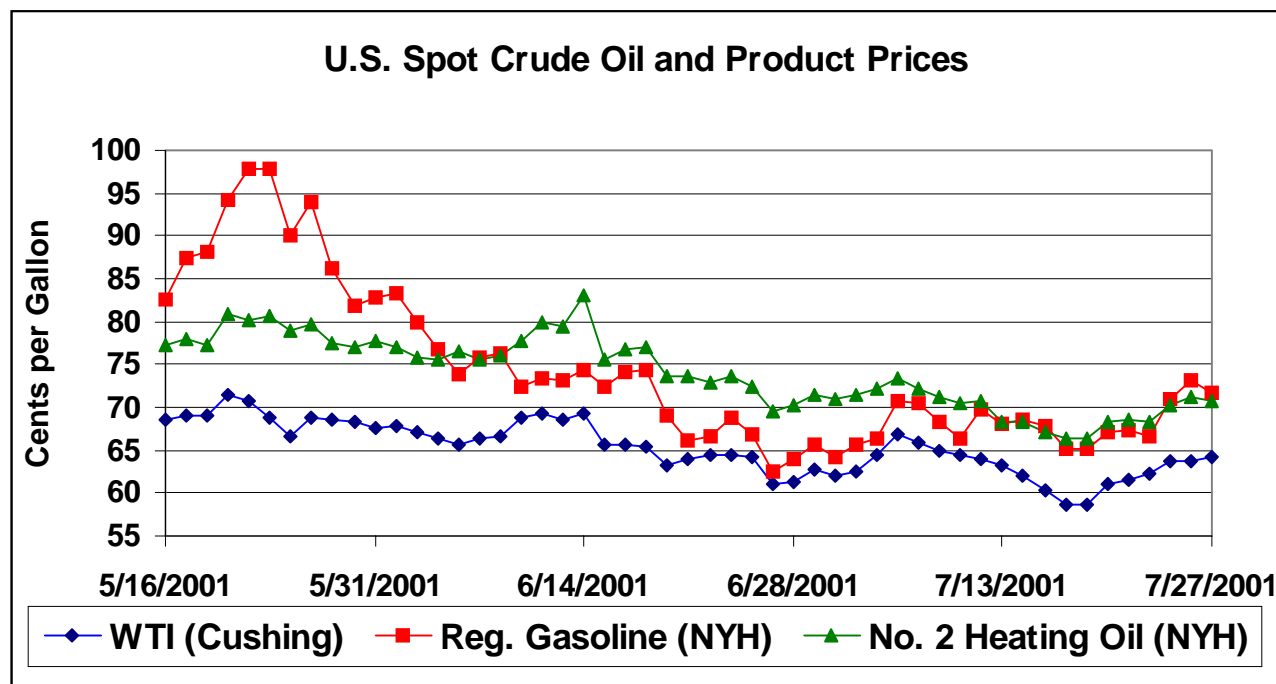
MARKET SUMMARY

Spot and futures markets were up last week for crude, gasoline, and heating oil, with the exception of the L.A. CARB diesel fuel spot price. OPEC announced a 1.0 million barrel per day production cut on Wednesday, essentially putting a floor under the market. Private and government stock data showed an unexpectedly large draw in gasoline inventories, lending support to prices in that market. Downstream problems added to bullish sentiments, with reports of a downed fluid catalytic cracker unit and a gasoline pipeline fire, both in Pennsylvania. An announcement from the U.S. Department of Commerce of slower economic growth in the second quarter of 2001 helped to push down gasoline and heating oil prices on Friday.

Crude oil - front month crude futures finished up this week. Prices were rising during the beginning of the week in anticipation of the OPEC cut, but the increase could not be sustained on Thursday. Prices continued to decline for most of Friday, until rallying before the close on news of a Sunday meeting between Saudi Arabia, Venezuela, and Mexico. Futures were up \$1.43 from last week's close of \$25.59 per barrel, ending at \$27.02 per barrel.

Gasoline - gasoline futures finished up for the week despite decreasing on Friday afternoon. Prices dropped on Monday, but then rose for most of the week on news of a gasoline stock-draw and refinery problems. Futures were up 3.37 cents from last week's close of 72.38 cents per gallon, ending at 75.75 cents per gallon.

Distillate - heating oil futures continued to rise throughout the week, taking signals from the crude market as well as refinery problems. Futures were up 3.20 cents from last week's close of 68.11 cents per gallon, ending at 71.31 cents per gallon.



CHRONOLOGY OF RECENT MARKET EVENTS

- 7/27 - mixed-** crude futures were falling for most of the day, but then made positive gains in the afternoon on news of a Sunday meeting between Saudi Arabia, Venezuela, and Mexico to consider ways to encourage non-OPEC producers to cooperate with the cartel's recent production cut. Heating oil and gasoline fell slightly on an announcement of slower economic growth in the second quarter.
- 7/26 - mixed-** crude futures were unable to sustain the price increases of the previous four sessions, in part because the OPEC decrease had been largely expected and its impact had already been felt. The International Energy Agency's concerns about tight crude supplies later this year seemed to have little impact. Gasoline and heating oil finished up for the day, with prices supported in part by a fire at ExxonMobil's gasoline pipeline in Pennsylvania.
- 7/25 - rising-** OPEC reached an agreement by telephone to cut 1.0 million barrels per day. NYMEX gasoline made gains, supported by industry and government data that showed a draw in gasoline stocks. Reports of problems with Sunoco's FCC unit in Marcus Hook, PA also lent some support to gasoline prices.
- 7/24 - mixed -** crude futures continued to gain as the OPEC president stated that there might be a cut of 1.0 million barrels per day as early as the next week. Gasoline and heating oil also saw gains as the market anticipated private stock data to show declines.
- 7/23 - mixed -** OPEC announced that it will meet in early August to discuss a production cut of up to 1.5 million barrels per day. However, the size of the cut still seems to be under discussion. NYMEX crude futures rose on this news, while NYMEX gasoline dropped. Heating oil crept up.
- 7/20 - rising -** crude gained on speculation that OPEC would soon cut production, but the front-month still closed down \$1 for the week. NYMEX products rose with support from crude, but still finished down for the week.
- 7/19 - mixed -** NYMEX crude oil futures fell late today after gaining steadily throughout the day, as OPEC sent conflicting signals about rumors of an output cut. In the morning, the Saudi oil minister expressed conviction that a cut would be coming soon, while in the afternoon the Venezuelan energy minister expressed doubts. NYMEX gasoline and heating oil futures were also down.
- 7/18 - falling -** crude futures hit their lowest level in fourteen months as both industry and government sources showed a large stockbuild over the previous week. NYMEX crude, gasoline, and heating oil were all down.
- 7/17 - falling -** crude futures fell in anticipation of industry stock data that would be released that evening. Conflicting industry and government stock data from the previous week made analysts anxious to see if there would be a small draw this week. News that Iraq exported an average of 2.27 MMBD in its first three days of resumed exports placed further downward pressure on crude futures.
- 7/16 - mixed -** forecasts of decreased oil demand from the International Energy Agency continued to exert bearish pressure on crude oil futures. NYMEX gasoline recorded a gain, partially supported by two refineries going down for maintenance.